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	SUBJECT	Synopsis of OIG Formal Report #111425-110		

Date: 02/09/12

TO Hon. President and Members of the City Council
400 City Hall

Attached please find the Office of the Inspector General's (OIG) Public Synopsis of our Final Report of Investigation relating to personnel and personnel practices within the Office of the Council President. The investigation was initiated as a result of information provided to the OIG and our preliminary review, which medicated that there were likely potential payroll systems concerns contributing to circumstances that potentially had broader implications.

Our investigation revealed that the subject employee was engaged in a practice of leave use that was not in compliance with City policy and involved leave that was not legitimately earned and resulted in personal gain at the expense of the City. In addition, we found there were gaps with the payroll system that contributed to the events and additional City expenses. Further, the investigation indicates that City staff failed to ensure that their actions were consistent with policy and practices concerning leave use and the extension of healthcare benefits to employees in an unpaid status.

We sincerely appreciate the assistance provided by the Office of the Council President and the Departments of Finance, Human Resources, and Law during the course of our investigation. It is also significant to note that upon the issuance of complete internal reporting the City initiated a civil action in order to recover funds. Lastly, we have also referred the matter to the Office of the State's Attorney for Baltimore City for review and action as may be deemed appropriate.

DNM/

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Office of Inspector General
100 N. Holliday Street
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OFFICE OF THE INSPECTOR GENERAL BALTIMORE CITY

100 N. Holliday Street, Room 640
BALTIMORE, MD 21202



PUBLIC SYNOPSIS **IG 111425-110**

Employee's improper use of unearned leave and City's extension of benefits while in Leave Without Pay status results in a loss to the City of \$48,175.24. Further, 2005 through 2011 system-wide benefit extension review revealed \$303,000.00 in uncollected expenditures.

ISSUE

An individual who was returning to City employment for a second time was erroneously credited with leave balances upon re-entry into service. Additionally, the employee had appropriately cashed-out her prior leave balances upon separation from the initial period of City service. The employee, who was working in the Office of the City Council President upon re-entry, was then permitted to use the unearned leave upon request.

INTRODUCTION/SUMMARY

On 05/13/2011, the Office of Inspector General (hereinafter "OIG") was contacted regarding an issue relating to an employee's leave balance. The OIG was advised that there was a concern regarding the Office of the City Council President's Director of Community Outreach and Constituent Services' (hereinafter "subject employee") leave balance and usage. It appeared that a leave balance had been carried forward from a previous period of employment with the City.

Use of Leave

Although the subject employee was re-employed by the City on 02/08/2010, her leave balance at the start of her employment amounted to over 50 days of vacation, 50 days of sick, more than a week of personal leave and a small amount of compensatory leave.

From 09/07/2011 to 1/21/11 subject employee used a significant amount of unearned and erroneously credited leave. She continued to use leave periodically from 02/2011 through 04/2011. In or around 04/2011, questions arose regarding how the subject employee had acquired such a large leave balance after taking several weeks of leave between 09/2010 and 04/2011, especially considering that she had just been reemployed beginning in 02/2010.

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In late 04/2011, the City's Finance Division - Accounting and Payroll Bureau (herein referred to as

“Payroll”) researched this issue and discovered that the subject employee’s large leave balance was a result of a systems’ conversion error. Payroll found that the subject employee’s leave from her previous period of employment with the City from 01/2000 through 01/2007 was erroneously carried over as an existing leave balance when she was re-employed by the City on 02/08/2010. It is also significant that records revealed that her previous leave had been cashed out upon her previous separation in 2007.

The City converted the Payroll system from the Legacy System to the current Human Resources Information System (hereinafter “HRIS”) in 08/2007. During this process, all active and inactive employee data was uploaded into the HRIS. The leave balances for terminated employees in HRIS were deleted upon an employee’s departure and leave payout. This deletion process was manually performed by Payroll employees (as opposed to an automated system deletion) each time an employee left the City. However, the leave balances for employees in an “inactive” status, as opposed to a “terminated” status, were not deleted in HRIS during this period. In the case of the subject employee, the status had been entered as “inactive” and therefore had not had the leave balances manually deleted.

Upon rehire of the subject employee by the City on 02/08/2010, her leave balance represented the leave she had accrued from her previous employment tenure with the City, even though she had cashed out the leave and been paid \$12,383.77 upon separation in 2007. Payroll contacted the City Council President Office’s Director of Administration (hereinafter “Director of Administration”) and advised him regarding this issue.

On 05/16/2011, the Director of Administration contacted the subject employee and advised her of the leave issues that had been discovered. The Director of Administration also referred her to the Supervisor of Central Payroll, for further clarification regarding the leave balance issues. On 05/17/2011, the subject employee spoke with the Payroll Supervisor and was advised that she had used leave that she had not actually accrued. Further, that this was due to her leave balance being erroneously carried over on 02/08/2010 from her previous employment period with the City.

As a result of the above events, the OIG initiated an investigation to identify the system issues that permitted the error to occur, determine how much leave the subject employee used that had not been legitimately accrued during the second period of employment, and how the issue remained undetected by the parties involved for approximately 14 months.

Subsequently, it was determined that the subject employee used and had been compensated for \$12,383.77 for the unearned leave. On 07/06/2011, the Payroll Supervisor sent the subject employee a letter advising her of the amount of unearned leave she had used and the monetary value she owed. The letter stated that Administrative Manual (referred herein as “AM”) 217-3 required her to reimburse the City for the unearned leave she used. The Payroll Supervisor concluded the letter by requesting that subject employee contact him to arrange a repayment plan. No response was forthcoming.

Rate of Leave Accrual

Additionally, Central Payroll and the OIG identified an additional HRIS issue that involved the rate of leave accrual for employees who had previously been employed by the City. It was found that the system failed to adjust for the new rehire date and permitted some employees to accrue leave at the more accelerated rate allowable only to employees with more tenure.

As a result, the system interpreted some employees as eligible for the accelerated levels and permitted vacation leave to be accrued at a rate of greater than 1 day per month depending on tenure. In this case the accelerated rate was determined to be 1-¼ day per month as opposed to the appropriate rate of 1 day accrued per month. HRIS was inaccurately crediting vacation based on affected employees' prior City service start dates.

Furthermore, after the issues came to light, the City's Law Department (hereinafter "Law"), in coordination with representatives from the City Council President's Office and Department of Human Resources (hereinafter "DHR"), engaged in discussions with the subject employee's attorney. As of the issuance of this report, the OIG understands that this process was not ultimately successful and is no longer active.

Lastly, the OIG determined that the City continued to pay for both the subject employee's and the City's healthcare benefit obligations while she was in an unpaid leave status beginning on 05/01/2011. Records reflect that she had made one contribution payment of \$745.35 (on 06/13/2011) during this 7-month period. The OIG understands that it is the DHR's practice to terminate an employee's benefits if an employee on unpaid leave is 90 days delinquent in paying his/her premiums. However, the subject employee's healthcare benefits were not terminated over a 7-month period until the City severed her employment (designating her employment status as "terminated" as opposed to "inactive") on 11/09/2011.

Benefits Continuation

The Director of the DHR advised that the City continued to pay for the subject employee's premiums while awaiting a resolution or direction from Law regarding the outcome of their discussions with counsel for the subject employee, or alternatively, for the Office of the City Council President's Human Resources personnel to enter a "termination" code into HRIS. The change in designation would serve as an internal trigger resulting in additional action consistent with a permanent separation. The OIG notes the apparent conflict between the "practice" of terminating healthcare benefits after 90 days of delinquency, normally applied by the DHR, to the expenses incurred during the period of legal discussions, and the extended period of inactive status coding by the Office of the Council President.

Records reflect the City has incurred a total of \$21,943.01 in healthcare benefits costs, less the one premium payment made by the subject employee, during periods where she was not contributing as required. As a result, the subject employee received healthcare benefits she was not eligible for during two separate periods. The first was during the period between 02/08/2011 and 04/30/2011 when she was using leave that was eventually discovered to have not been legitimately earned. The second

occurred between 05/01/2011 and 11/30/2011 (the anticipated cessation of benefits) during the period after she was placed in non-pay status.

INVESTIGATION

Chronology of Relevant Events

- 01/13/2000–01/17/2007: The subject employee was hired as a Special Aide to the Mayor’s Office.
- 10/18/2007–2010: The subject employee works for Baltimore City Public School System (hereinafter “BCPSS”) as Temporary Support Professional (hereinafter “Temporary Employee”).¹
- 02/08/2010: The subject employee is hired as Director of Community Outreach and Constituent Services for the City Council President’s Office.
- 09/02/2010–01/21/2011: The subject employee takes an extended period of leave.
- 01/22/2011–04/30/2011: The subject employee takes leave intermittently for various reasons, including to avoid conflicts with respect to her husband’s political campaign.
- 05/01/2011: The subject employee begins her Leave of Absence.
- 05/16/2011: The subject employee is informed regarding her leave issue.
- 05/16/2011: Payroll placed the subject employee in an unpaid status as of 05/01/2011.
- 06/13/2011: The subject employee makes one healthcare premium payment for \$745.35.
- 11/09/2011: The subject employee is terminated from City employment.

Document/Report Examination

In the course of the investigation, the OIG obtained and reviewed the following documents and/or reports:

- 1) E-Time reports concerning the subject employee from 02/08/2010 through the 5/01/2011.
- 2) E-Time Leave Accrual Summary - a snapshot of 02/08/2010.
- 3) Earnings Report Print-out for 02/02/2007 reflecting leave payout.
- 4) Earnings Statements for pay periods ending 03/05/2010, 05/14/2010, 06/25/2010, 07/16/2010, 07/23/2010, and 01/07/2011.
- 5) Central Payroll – Employee Leave List reflecting leave balances as of 03/05/2010.
- 6) Central Payroll – List of employees re-employed by the City and leave balances.

¹ There appears to be a date overlap between the subject employee’s employment with BCPSS and the City. In addition, it is not believed the position held was eligible to accrue leave.

- 7) Letter from Payroll advising the subject employee that she had used \$26,376.93 worth of unearned leave.
- 8) Bi-Weekly Time Sheets covering the period from 09/02/2011 – 04/15/2011.
- 9) Payroll's Termination Packet – A sample of forms and reports generated to process terminations in Payroll.
- 10) AM Policy 208-1 – Personnel Section.
- 11) AM Policy 204-23 – Healthcare Benefits Program Section.
- 12) DHR - Employee Benefits Division memo regarding benefits dated 08/29/2011.
- 13) DHR breakdown of the subject employee's healthcare costs from 04/16/2010 – 11/30/2011.
- 14) DHR report reflecting outstanding healthcare premiums for active and inactive employees.

The OIG's investigation determined that a total of \$48,043.01 of unearned leave and healthcare benefits were received by the subject employee.

Unearned Leave

The subject employee used \$26,232.23 of unearned leave between 02/08/2010 and 05/01/2011.² To date, she has neither paid this amount back nor is there an agreement to do so.

Healthcare Benefits-Subject Employee Specific

The City has paid \$21,943.01 in healthcare benefits for the subject employee and has received a single payment of \$745.35 on 06/13/2011. This figure is calculated from the unearned leave used between 02/08/2010 and 04/30/2011 and the period of leave without pay absence between 05/01/2011 and 11/09/2011 when employment was severed.³

Healthcare Benefits-General Review

The OIG recognized that the same practices that had permitted the subject employee to accrue considerable delinquencies related to the continuation of benefits may well have resulted in delinquencies among other staff. As such the OIG engaged in an effort to determine assess the extent of related outstanding delinquencies.

It was determined that as of 11/30/2011, active and inactive employees/retirees owed the City a total of \$303,271.11 in unpaid healthcare premiums dating back to the inception of E-Time in 2005.⁴ Efforts are currently underway by the Department of Finance to further refine the data and outstanding obligations, as well as consider data prior to the inception of E-Time. The current practice of a 90-day

² Based on calculations between the leave she accrued legitimately and unearned leave she used between 02/08/2010 and 04/30/2011.

³ Per City policy, the City will pay for healthcare benefits through the last day of the calendar month (11/30/2011) in which the termination occurs.

⁴ This amount, provided by Accounts Receivable, is the total outstanding balance amongst employees and City/State retirees. This includes current employees who may be paying premiums in a timely manner and owe for the most recent pay cycle.

grace period allows for potentially more significant monetary losses to the City if employees fail to honor their benefit obligations.

Interviews

During the investigation, the OIG interviewed the subject employee; the Director of Administration, City Council President's Office; the Chief of Staff – City Council President's Office; the Central Payroll Supervisor, an Accounting Systems Analyst; and the Director of Human Resources.

FINDINGS, VIOLATIONS AND GAPS

After reviewing the various documentation, considering applicable policy, and speaking with key staff during the course of this investigation, the OIG has made a series of findings concerning the processes and actions noted above. In addition, the OIG has identified several violations of policy, as well as gaps in policy of the Civil Service Commission/Department of Human Resources rules (hereinafter "CSC/DHR") and Baltimore City AM Policy that merit consideration.

Findings

1. From 01/13/2000 to 01/17/2007, the subject employee was employed by the City as a Seasonal Aide II.
2. On 01/17/2007, the subject employee was separated from City Service and cashed out her remaining leave balances receiving \$12,383.77 (\$6, 906.20 net) at a rate based on her salary at separation.
3. From 10/18/2007 through 2010, the subject employee worked for the BCPSS as a Temporary Employee. It is not believed that the position held was eligible to earn or accrue leave and could not have carry over leave from her employment at BCPSS.
4. On 02/08/2010, the subject employee returned to City employment as the Director of Community Outreach and Constituent Services for the Office of the City Council President.
5. The subject employee used continuous leave between 09/02/2011– 01/21/2011.
6. The subject employee used an additional substantial leave between 01/22/2011– 04/30/2011.
7. On 05/16/2011, the subject employee is informed by the Payroll Supervisor of a leave issue and placed in an unpaid leave status with an effective date of 05/01/2011.
8. On 06/13/2011, the subject employee makes one healthcare premium payment for \$745.35. On 08/11/2011, she inquired of the DHR Director as to whether she was still covered under the City's healthcare benefits program.
9. The subject employee's leave of absence without pay (in excess of 30 days) was not authorized in accordance with the City policy. According to AM Policy 208-1, an employee must complete a "Request for Leave of Absence Without Pay" request that must be approved by the Appointing Officer.
10. The subject employee received vacation leave; sick leave; personal leave; and compensatory leave that were erroneously carried over from her previous employment with the City.
11. The subject employee did use the unearned leave and received \$26,232.23 in compensation as a result.

12. Payroll sent a letter to the subject employee on 07/06/2011 advising her that she owed the City for the unearned leave she used.
13. The subject employee has not made any attempt to contact Payroll and work out a payment plan.
14. The HRIS system, as configured, did not automatically delete leave balances after paying out leave balances for terminated employees at the time when the subject employee left City service, permitting unauthorized leave balances.
 - a. Payroll has identified two other employees who have reentered City employment who have carried over balances from their previous employment tenure with the City. Only one of the two employees carried over leave which resulted in a deficit.
15. The subject employee accrued vacation leave at an accelerated rate of 1-¼ days per month even though she was only eligible for accrual at the rate of 1 day per month. The accelerated rate applies only to employees with over 5 years of current service (per AM 204-2).
 - a. Upon beginning her second employment tenure, the subject employee should have accrued her vacation at a rate of 1 day per month, which is the rate for City employees who have been employed between 0 and 5 years (unless an employee returns to City employment within one year of departure).
 - b. The subject employee left her first City tenure after 7 years (01/13/2000 – 01/17/2007).
 - c. When she returned to City employment on 02/08/2010, the HRIS set vacation accrual at the accelerated rate using the 01/13/2000 date as the start of her employment rather than her reentry date.
 - d. This resulted in her accruing additional vacation leave that was not due to her.
16. Payroll is aware of the HRIS accrual glitch and is currently conducting a review to identify additional employees who may be impacted.
17. The subject employee is delinquent in repaying the City a total of \$21,943.01 for healthcare benefits provided between the unearned leave she used (02/08/2010 – 04/30/2011) and her Leave of Absence Without Pay status (05/01/2011 – 11/30/2011).
 - a. The subject employee received benefits from 05/01/2011 through the end of the month in which the termination code (11/09/2011) was entered.
 - b. She made one premium payment on 06/13/2011.
 - c. The subject employee's benefits were not terminated after 90 days of non-payment, which is the practice Human Resources Benefits Division applies to an employee on Leave of Absence Without Pay status who has not paid his/her healthcare benefits premiums.

18. The current practice is to terminate healthcare benefits for employees in an unpaid status after a 90-day delinquency period.

- a. As of 11/30/2011, active and inactive employees/retirees owed the City a total of \$303,271.11 in unpaid healthcare premiums dating back to the inception of E-Time in 2005.⁵
- b. The current practice of a 90-day grace period allows for potentially more significant monetary losses to the City if employees fail to honor their benefit obligations. This amount includes all unpaid premiums (including billed premiums up through 11/30/2011). The OIG is currently working with Finance to determine the amount due for unpaid premiums delinquent over 90 days and if there are other unpaid premiums pre-dating 2005.⁶

VIOLATIONS

Leave of Absence Without Pay – AM 208-1

Baltimore City AM Policy 208-1 states the following: *“Employees in non-Civil Service classes must obtain the approval of his appointing officer to be granted a Leave of Absence.”*

Request/Approval

AM 208-1 requires that both the employee seeking a period of leave without pay make a request in compliance with the policy and that the employee’s senior management or appointing officer/authority approve the request. The policy details the procedure for requesting a Leave of Absence Without Pay and states *“(Employee) complete ‘Part I’ of Request For Leave of Absence Without Pay (28-14018-5028). Forward form to appointing officer. (Appointing Officer) Review request and note approval or disapproval by completing ‘Part II’ of the request.”* This process is intended, in part, to ensure that the requisite pay and benefits adjustments are made as a result of the employee being placed in an active but unpaid status.

The subject employee’s Leave of Absence Without Pay authorization process violated AM Policy 208-1. She did not complete Part I of the Request For Leave of Absence Without Pay form, nor did the appointing officer (the City Council President’s Chief of Staff) approve a Leave of Absence Without Pay by completing Part II of the Request For Leave of Absence Without Pay form.

⁵ This amount, provided by Accounts Receivable, is the total outstanding balance amongst employees and City/State retirees. This includes current employees who may be paying premiums in a timely manner and owe for the most recent pay cycle.

⁶ The OIG is currently working with Finance to determine the amount due for unpaid premiums delinquent over 90 days and if there are other unpaid premiums pre-dating 2005.

Collection of Payroll Overpayment - AM 217-03

Baltimore City AM Policy 217-03 states that: *“City employees are sometimes overpaid, usually through no fault of their own. . . . [and that] all employees are expected to exercise a degree of diligence by monitoring their pay and reporting any discrepancies to the immediate supervisor or agency payroll clerk.”*

AM 217-03’s requirements that an employee exercise “a degree of diligence” and report any discrepancies creates an obligation to act on the part of both the employee and the supervisor/agency payroll clerk.

Employee

The subject employee was in the position to identify the illegitimate leave balances from the issuance of her first check/stub, which contains leave balances, as early as 03/2010. The primary manner utilized by City employees to monitor leave, and exercise a “degree of diligence” is the bi-weekly pay check/stub. Therefore, she received a new opportunity to engage in a “degree of diligence” concerning the leave balances every two weeks. In addition, it is reasonable to consider that when she choose to take continuous “paid” leave from 09/02/2011 through 01/21/2011 with only 7 months of tenure, she could not have accrued sufficient leave balances. Further, applying all legitimate earned leave, she would have been eligible for pay only through 09/28/2010, not 01/21/2011.

The subject employee did acknowledge that she noticed that she had an unusually high leave balance at some period in or around 08/2010. Therefore, she either failed to exercise a degree of diligence necessary to discover the discrepancy under AM 217-3 or failed to make proper notifications in a timely manner between the period between 03/2010 through 08/2010. Lastly, even if she did not recognize the issue until 08/2010, there is no evidence that she contacted Central Payroll or otherwise requested an official review of leave balances prior to taking paid, but unearned, leave.

Supervisor/Payroll Clerk

About the same time as the subject employee stated that she recognized her large amount of leave, both of her Agency Human Resources staffers became aware of her observations regarding leave balances. However, there is no information that either individual raised the unusually high leave balance with staff from Central Payroll or DHR. It was not until 04/2011 that HR personnel inquired with Payroll regarding the excessive leave balances, resulting in the issue being researched and the cause of the error determined.

The subject employee’s leave balance should have been brought to Payroll’s attention soon after HR personnel first noted the questionable leave balance in or around 08/2010, some 8 months before it was finally addressed.

Standards of Conduct and Performance - CSC/DHR Rule 40

CSC/DHR Rule 40, Part L states the following: *“Employees shall conduct themselves at all times in a manner becoming a City employee and shall not bring scandal, expense, or annoyance upon the City through crime, conflict of interest, failure to pay, or other improper or notorious behavior.”*

Use of Leave and Failure to Reimburse

During the period between 08/2010 and 04/30/2011, the subject employee took unearned leave valued at \$26,232.23 for which she knew, or should have known, she was not entitled to receive. Further, she was sent a letter on 07/06/2011 advising that she was required to repay the City for the unauthorized leave use and has failed to engage that process. Therefore, her use of unearned leave and/or her failure to reimburse the City constitutes a violation of Rule 40.

Failure to Reimburse Healthcare Premium

During the period between 02/08/2010 and 11/30/2011, the subject employee received healthcare benefits for which she did not make the required contribution in the amount of \$21,943.01. In addition, she has exercised her benefits on several occasions since being placed on a Leave Without Pay status on 05/16/2011 and has only made a single reimbursement payment of \$745.35 on 06/13/2011. Therefore, her use of benefits and failure to reimburse constitutes a violation of Rule 40.

Health Care Benefits Program - AM 204-23

Baltimore City AM Policy 204-23 states the following regarding employees in non-pay status including a Leave of Absence Without Pay: *“Inactive employees who retain membership in their existing healthcare program will be billed for the full amount of their premium. Employees in this status must contact the Employee Benefits Division to discuss coverage for which they are being billed. Failure by employees to pay bills submitted by the Employee Benefits Division for participation in a healthcare program will result in termination of health benefits.”*

Employee

During the period between 02/08/2010 and 11/30/2011, the subject employee received healthcare benefits for which she did not make the required contribution in the amount of \$21,943.01. In addition, she has exercised her benefits on several occasions since being placed on a Leave Without Pay status on 05/01/2011 and has only made a single reimbursement payment of \$745.35 on 06/13/2011. Therefore, her use of benefits and failure to reimburse constitutes a violation of AM 204-23.

Department of Human Resources

During the period between 05/01/2011 and 11/30/2011, when the leave accrual issue had been discovered and when the subject employee was placed in a Leave of Absence Without Pay status, the DHR continued healthcare benefits by paying both the City and the employee contributions. Although only a single payment of \$745.35 was made on 06/13/2011, the DHR stopped sending bills in 07/2011.

It is noted that AM 204-23 does not specify a timeline for the cessation of benefits. While it is possible to consider various timelines as appropriate, the DHR has adopted a practice of terminating benefits after a 90-day period of delinquency. However, it is noted that in the case of the subject employee benefits were paid for over 6 months or 180 days.

Although the aforementioned actions were taken with the knowledge of Law and the understanding that for a period of time negotiations were underway, the failure to terminate the subject employee's healthcare benefits is a violation of AM Policy 204-23 as it clearly states, "*Failure by employees to pay bills ... will result in termination of health benefits.*" The policy does not provide the 90-day grace period, as this is a general rule applied by Benefits. However, the practice was not followed in relation to this matter.

GAPS

Elimination of Leave Balances

In 2007, shortly after converting payroll systems from the Legacy System, the Payroll Department first identified the limitation of HRIS concerning terminated employees. It was determined that the HRIS system was not configured to automatically delete employees' leave balances (using employees' previously assigned ID's in the system) after they were terminated and paid out employees' outstanding leave balances, resulting in a system conversion process gap.

This gap was identified during or shortly after the conversion process; however, the matter was not resolved at that time. At that time, Payroll could have conducted a review of terminated employees' leave balances to ensure they had been deleted. However, as a result, the system permitted employees leaving and returning from City service within a specific window of time to be credited with unauthorized or previously paid out leave balances.

Leave Accrual

When HRIS was installed, it was configured incorrectly so that employees would accrue vacation leave according to their "Service Date" rather than their "Hire Date." Therefore, in the subject employees case (and possibly others yet to be identified), vacation leave was accrued at a rate of 1-1/4 day per month based upon the previous periods start date (Service Date), resulting in her being credited with vacation leave (between 02/08/2010 – 04/30/2011) that was not legitimately accrued. Service Date may only be applied for leave accruals for employees whose employment tenure exceeds 5 years and are reentering City employment within one year of resigning or being laid off (AM-213-1).

RECOMMENDATIONS

- 1) *The OIG recommends that Payroll work with ADP (the vendor that provides HRIS) to determine if an enhancement for HRIS to automatically delete terminated employees' leave balances is cost effective and would be more efficient.*
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Currently, Payroll executes a manual process to delete terminated employees' leave balances in HRIS. This process requires a considerable amount of time for personnel to "off-board" terminated employees and makes the appropriate adjustments to HRIS, including deleting terminated employees' leave balances. Working with the vendor to automate the "off-boarding" process would further reduce additional errors involving incomplete or flawed termination processes.

The OIG is aware of and appreciates that enhancements to systems may be cost prohibitive and therefore recommends Payroll analyze the cost/benefit to implement such an enhancement.⁷ In addition, other protocols that would require agency level HR review of new employees' pay and leave statuses within 60 days of employment would provide a useful control measure to prevent on-boarding errors.

- 2) *The OIG recommends that Payroll work with ADP to reconfigure HRIS so that the "Hire Date" is the date applied to employees who are returning to City employment after at least one year of leaving employment (and Service Date applied for those employees returning within one year of their departure).*
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Currently, HRIS uses an employee's "Service Date" as the start date for vacation leave accrual. However, HRIS needs to be reconfigured to use the "Hire Date" as the start date for vacation accrual (See page 12 "Leave" section for one exception when "Service Date" should be used). This would ensure that employees' vacation leave accruals would be credited appropriately. Additionally, Payroll should conduct a review of HRIS to identify employees who have returned to City employment since HRIS was implemented (2007) to determine if other employees were credited inaccurate vacation accruals based on prior City service start dates. It is the OIG's understanding that Payroll has already initiated this type of review.

- 3) *The OIG recommends DHR provide agency HR personnel with more guidance/procedures when on-boarding and processing newly hired employees, which would include verifying the accuracy of leave balances, compensation, etc.*
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Although the subject employee should have inquired regarding this issue and questioned the unusually high leave balance reflected on her statement, HR personnel were in the appropriate position to verify whether her leave balance was accurate. The City should implement HR's on-boarding procedures and a checklist of verifications to ensure a newly hired employee's leave balance, compensation, and other data/information are accurate, which would also include confirming this information with Payroll.

- 4) *The OIG recommends DHR strengthen its policy with respect to administering*

⁷ According to Payroll, it has implemented a control in HRIS which automatically deletes employees' leave balances 60 days after an employee's termination date.

healthcare benefits to employees who are on Leaves of Absence Without Pay status.

Although AM Policy 204-23 states, “*Failure by employees to pay bills submitted by the Employee Benefits Division for participation in a healthcare program will result in termination of health benefits,*” the language does not include a time limit for when the City will terminate healthcare benefits if an employee on Leave of Absence Without Pay status has not made a premium payment.

The City’s current practice is to terminate an employee’s healthcare benefits after 90 days if the employee has not made a premium payment. The City should enhance AM Policy 204-23 to include specific language that requires each employee going on a leave of absence without pay who desires to continue paying for his/her healthcare premium benefits to enter into a written agreement with the City regarding payment. Further, the City should consider policy that mandates termination of benefits extension for employees on a Leave of Absence Without Pay status when the employee contribution is not paid within a proscribed period, such as a 1-pay period, 15 business days, etc.

Exceptions would be made for non-payment in cases of statutory requirements (i.e., military deployment) or extenuating circumstances (the employee would be required to show evidence of health or other issues that would prevent the employee from being available to sign the agreement with the City).

The City should implement a process for collecting these outstanding debts that may include payment plans to deduct installments from employees’ pay checks upon return to employment or pursuing the matters as other debts owed the City. It is the OIG’s understanding that currently these unpaid healthcare premiums are billed to employees but are not actively pursued for collection.